

Message Text

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43

ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 FEA-01 AEC-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02

PRS-01 USIA-15 XMB-04 /122 W
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R 251252Z JAN 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2044

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY MANAMA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS KUWAIT 0374

DEPT PASS OTHER OPEC AND OECD CAPITALS

E.O. 11652: N/A

TAGS: EFIN KU

SUBJECT: ATEEQI COMMENTS ON IMF OIL FACILITY

1. FIRST PUBLIC COMMENT BY AUTHORITATIVE GOK OFFICIAL ON RECENT
IMF SPECIAL OIL FUND WAS MADE IN ALGIERS BY MINISTER FINANCE AND
OIL ATEEQI JANUARY 24. ACCORDING TO REUTERS ITEM APPEARING IN
JANUARY 25 DAILY NEWS HERE ATEEQI DOUBTED WHETHER IMF WILL BE
ABLE RAISE \$6 BILLION FROM OIL COUNTRIES AS IT HOPES TO DO.

ATEEQI ARGUED THAT WESTERN ESTIMATES OF OPEC SURPLUS WERE TOO

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HIGH.

2. KUWAITI MINISTER DID AFFIRM GOK WOULD CONTRIBUTE TO FUND, EVEN THOUGH INTEREST PAID WAS LOWER THAN WHAT WAS AVAILABLE ELSEWHERE AND THEREFORE CONTRIBUTION REPRESENTS SACRIFICE FOR OIL EXPORTING NATIONS. HE DID NOT, HOWEVER, INDICATE SIZE OF GOK CONTRIBUTION. FYI KUWAIT CONTRIBUTED \$480 MILLION TO ORIGINAL IMF OIL FACILITY. END FYI.

3. ATEEQI STRESSED THAT \$60 BILLION OPEC SURPLUS WHICH REFERRED TO AMONG OECD COUNTRIES TOTALLY IGNORES HUGE INCREASE IN COSTS OF IMPORTS OF OPEC STATES. EVEN KUWAIT WITH ITS RELATIVELY SMALL POPULATION AND HIGH OIL INCOME, HE SAID, EXPECTS TO USE HALF OF ITS ANTICIPATED INCOME OF \$7 BILLION IN 1975 FOR DOMESTIC PROGRAMS AND PROJECTS. FURTHERMORE KUWAIT HAS MADE LARGE AID COMMITMENTS TO SEVERAL ARAB, AFRICAN AND OTHER STATES. THEREFORE, AMOUNT AVAILABLE FOR IMF FUND MAY BE LESS THAN DEVELOPED COUNTRIES EXPECT.

4. WHEN ASKED WHETHER KUWAIT WOULD CONSIDER A BUY-NOW, PAY-LATER SCHEME FOR OIL EXPORTS, ATEEQI REPLIED THAT THIS WOULD NOT RPT NOT BE DONE BY GOK. HE STATED TRADITIONAL GOK POLICY, VIZ., OIL WAS STRICTLY BUSINESS TO BE KEPT WELL APART FROM ANY CREDITS OR AIDS THAT MIGHT BE GRANTED TO COUNTRIES BADLY AFFECTED BY INCREASE IN OIL PRICES.

5. COMMENT: ATEEQI RECENTLY TOLD LOCAL REPORTERS THAT IN FEW YEARS DOMESTIC EXPENDITURES WILL EXCEED INCOME. HE INDICATED IN ALGIERS AS WELL THAT PERCEPTION OF HUGE SURPLUSES THAT EXISTS IN WEST NOT COMPLETELY EVIDENT TO GOK OFFICIALS THEMSELVES. APPEARS THAT ATEEQI MAY BE UNDERSTATING EXPECTED INCOME, ALTHOUGH EXACT INCOME WILL BE FUNCTION TOTAL OIL PRODUCTION, AND NOT CLEAR WHETHER KUWAITI PRODUCTION WILL LEVEL OFF AT 2.5 MILLION BPD LEVEL AS WAS CASE IN 1974 OR WHETHER IT MAY BE REDUCED. ON OTHER HAND THERE LITTLE QUESTION THAT EXPENDITURES WILL INCREASE SUBSTANTIALLY OVER NEXT FEW YEARS AS MAJOR LOCAL PROJECTS GET UNDERWAY AND AS FOREIGN AID COMMITMENTS ARE ACTUALLY DISBURSED, NOT TO MENTION AFFECT OF INFLATION.

6. WE BELIEVE THEME STATED BY ATEEQI THAT OPEC SURPLUS IS NOT AS LARGE IN FACT AS IT SEEMS TO OTHERS WILL BE AN IMPORTANT ONE
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THAT WILL HAVE TO BE CONSIDERED SERIOUSLY BY CONSUMERS IN ANY PRODUCER/CONSUMER DIALOGUE THAT MAY TAKE PLACE IN FUTURE.
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